

Message Text

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ORIGIN XMB-04

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FM SECSTATE WASHDC
TO AMEMBASSY BUDAPEST

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E.O. 11652: N/A

TAGS: EGEN

SUBJECT: POSSIBLE EXIMBANK FINANCING IN HUNGARY

1. ON MAY 23 DR. GYULA EROS, NORTH AMERICAN REPRESENTATIVE OF THE NATIONAL BANK OF HUNGARY VISITED EXIMBANK, ACCOMPANIED BY REPRESENTATIVES OF MORGAN GUARANTY TRUST COMPANY OF NEW YORK, WHO HAD ARRANGED HIS VISIT. VISIT ALSO INCLUDED BRIEF MEETING WITH EXIMBANK CHAIRMAN MOORE. SOME OF THE TOPICS DISCUSSED BETWEEN EXIMBANK AND EROS COINCIDE WITH MATTERS RAISED BY CARL SCHMIDT (DEPUTY DIRECTOR EUR/EE) DURING HIS RECENT VISIT TO BUDAPEST.

2. EXIMBANK DESCRIBED TO DR. ERO THE NEED FOR U.S. CONGRESSIONAL ACTION UNDER THE TRADE ACT, ENTRY INTO FORCE OF THE TRADE AGREEMENT, AND A PRESIDENTIAL DETERMINATION OF NATIONAL INTEREST UNDER THE EXIMBANK ACT AS PRECEDENTS
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TO THE FORMAL CONCLUSION OF ANY EXIMBANK PROCEDURAL AGREEMENTS WITH HUNGARY. HOWEVER, BOTH EXIMBANK AND DR. EROS CONCURRED IN THE BELIEF THAT IT WOULD BE FRUITFUL TO DISCUSS A DRAFT PROCEDURAL AGREEMENT PENDING ENTRY INTO FORCE AND PRESIDENTIAL DETERMINATION. DR. EROS SUGGESTED THAT A VISIT BY REPRESENTATIVES OF THE HUNGARIAN FINANCE MINISTRY AND NATIONAL BANK TO EXIMBANK

SOMETIME DURING THE PERIOD JUNE 20-30 WOULD BE OPPORTUNE,

AND EXIMBANK CONCURRED. WHILE DR. EROS AGREED TO COMMUNICATE WITH HUNGARIAN OFFICIALS ON THIS SUBJECT, EMBASSY IS REQUESTED ALSO TO MAKE CONTACT IN BUDAPEST ALONG THE SAME LINES. POSSIBLE CONTACTS ARE MR. AKAR OF THE MINISTRY OF FINANCE, AND MR. SOLTESZ OF THE NATIONAL BANK, WHO VISITED EXIMBANK ON MARCH 3, 1978 (SEE MEMCON SENT TO EMBASSY). EMBASSY WILL RECALL THAT DURING MAY 18-20 TALKS IN BUDAPEST, SCHMIDT (EUR/EE) INDICATED SEPARATELY TO BARTHA OF MINISTRY OF FOREIGN AFFAIRS AND TO ANTALPETER OF MINISTRY OF FOREIGN TRADE THAT U.S. WAS INTERESTED IN ESTABLISHING EXIMBANK ELIGIBILITY FOR HUNGARY AT APPROXIMATELY SAME TIME AS TRADE AGREEMENT ENTERS INTO FORCE, AND THEREFORE THAT DISCUSSIONS BETWEEN EXIMBANK AND HUNGARIAN BANKERS SHOULD TAKE PLACE IN THE INTERIM. BOTH BARTHA AND ANTALPETER REACTED POSITIVELY TO THIS SUGGESTION.

3. THE PROCEDURAL AGREEMENT WILL SPECIFY, INTER ALIA, THE CHANNELS WHICH HUNGARY DESIRES TO EMPLOY FOR COMMUNICATION WITH EXIMBANK, THE HUNGARIAN ENTITY WHICH WILL ACT AS OBLIGOR/GUARANTOR FOR EXIMBANK FINANCING, THE RANGE OF EXIMBANK PROGRAMS WHICH HUNGARY DESIRES TO USE, THE ECONOMIC DATA WHICH HUNGARY WILL BE REQUIRED TO SUBMIT TO EXIMBANK ON A REGULAR BASIS, AND OTHER MATTERS WHICH BOTH SIDES WILL FIND HELPFUL IN FACILITATING FUTURE OPERA-

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TIONS. DR. EROS BELIEVED THAT THE NATIONAL BANK WILL BE THE AGENCY DESIGNATED TO ACT AS OBLIGOR AND OFFERED TO FURNISH TO EXIMBANK THE LEGAL DECREE WHICH ESTABLISHES THE BANK'S AUTHORITY TO INCUR OBLIGATIONS IN THE NAME OF THE GOVERNMENT OF HUNGARY. FOR EMBASSY'S INFORMATION, SIMILAR PROCEDURAL AGREEMENTS HAVE BEEN USED IN ALL OTHER COMECON COUNTRIES WHERE EXIMBANK HAS BEEN AUTHORIZED TO EXTEND FINANCING.

4. DR. EROS ALSO RECEIVED BRIEFINGS ON THE RANGE OF EXIMBANK PROGRAMS, INCLUDING INSURANCE, BANK GUARANTEES, COOPERATIVE FINANCING FACILITY AND DIRECT LOANS. HE INDICATED THAT HIS VISIT WAS VERY BENEFICIAL AND EXIMBANK ALSO FOUND IT USEFUL.

VANCE

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